

Message Text

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PAGE 01 KUWAIT 03792 161436Z

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SUBJ: SPECIAL KUWAIT FUND FOR COST OVERRUNS

1. UNDERSECRETARY IN MINISTRY OF PUBLIC WORKS TOLD EMBOFFS THERE WAS NO SPECIAL FUND FOR COST OVERRUNS. HOWEVER, GOK RECOGNIZES PROBLEMS WHICH GENERALLY COME UNDER HEADING OF FORCE MAJEURE. CONTRACTORS HIT BY UNEXPECTED COSTS CAN APPROACH MPW FOR ASSISTANCE, HE SAID.

2. NATURE OF CONTRACTING PROCESS IN KUWAIT SUCH THAT FOREIGN CONTRACTOR HAS SEVERAL MONTHS TO STUDY PROJECT AND POTENTIAL PROBLEMS. SELECTION OF REPUTABLE LOCAL AGENT WITH CONSTRUCTION EXPERIENCE IS BEST INSURANCE AGAINST COST OVERRUNS.

3. GOK OFFICIALS HAVE TOLD EMBOFFS ON SEVERAL OCCASIONS THAT GOVERNMENT STANDS ONLY TO LOSE IF IT GETS BAD REPUTATION AMONG FOREIGN CONTRACTORS, HENCE THEIR STATED WILLINGNESS TO LISTEN TO PROBLEMS. HOWEVER, GOK OFFICIALS ALWAYS DETERMINED TO FOLLOW LETTER OF CONTRACT ONCE DOCUMENT HAS BEEN SIGNED.

COMMENT: SOURCE WITH SEVERAL YEARS' EXPERIENCE IN KUWAIT ON CONSTRUCTION PROJECTS TOLD EMBOFF SUCH FUND DOES EXIST BUT ONLY TO PROVIDE LOCAL CONTRACTORS WITH END OF YEAR BONUSES. TO DATE, ONLY ONE US COMPANY HAS BEEN INVOLVED IN CONVENTIONAL CONSTRUCTION PROJECT IN KUWAIT, PERINI CORP. OF FRAMINGHAM, MASS. WHICH EXPECTED TO SIGN CONTRACT FOR NEW FAHAHEEL
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PAGE 02 KUWAIT 03792 161436Z

HOSPITAL IN OCTOBER.

STOLTZFUS

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